

Kentucky Department of Agriculture

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Project 1: Third Party Farm Audit Reimbursement Program

1. Project Summary

KDA sought to develop a reimbursement program for specialty crop producers to have third-party food safety audits conducted for their farms. Third-party food safety audits are now being required by many large and small retail stores; independent restaurants and restaurant chains; the military; educational institutions; and government entities to name the largest purchasers of specialty crops. These audits are sometimes cost-prohibitive for the producer that is capable of making the step from a small scale producer to entering into these larger contracts. Before this project began, Kentucky had zero specialty crop producers that had gone through a Third Party Audit.

2. Project Approach

KDA utilized its Specialty Crop Marketing Specialist, Adam Watson, as the main conduit and point of contact for information regarding Third Party Audits. Watson utilized Specialty Crop Marketing Education tools which were funded by a previous round of SCBGP monies to develop a FAQ/How To document regarding audits. This educational material sought to assuage producers who were hesitant to make the leap into having a third party come to their farm and review their practices.

Watson also went to trainings by private groups, such as Primus Labs, and utilized any USDA trainings or one-on-one contact with auditors to help develop a template of a Standard Operating Procedures document to provide Kentucky specialty crop producers with guidance. Kentucky producers are relatively young in the specialty crop industry and third party audits are a new concept for them. The fear of the unknown has stagnated many of their growths because they did not have the educational and cost share opportunities that this grant provided.

The most important thing of the grant, obviously, is the Third Party Audit itself. Watson spread the word to producers about the program through UK Extension Offices in all Kentucky counties, grower co-ops, annual fruit and vegetable meetings, wholesale buyer meetings and any form of communication he could utilize to solicit participants. Some producers already had buyers that required a certain auditing organization in order to be accepted; others did not have any restrictions, so in those cases, Watson coordinated with USDA auditors to conduct the inspections and tried to cluster producers together in order to reduce costs.

3. Goals and Outcomes Achieved

One of the project goals was to grow the number of Third Party Audited specialty crop producers from zero to 25 over the three year grant period. When we set this goal, the

specialty crop industry had been told from government entities and buyers that the Third Party Audit would soon be mandatory for any large retail sales. Over these last two and a half years, we have found that this mandate from the buyers was not necessarily the case. While many larger retailers and institutional buyers require the audit, Kentucky growers have found that many of their sales outlets do not. We believe that this is the reason for a successful program, yet one that didn't quite meet the project goals. However, given that when the application for this grant funding was written, there were many unknowns about demand and how this would go, Kentucky specialty crop producers and the KDA are happy with the numbers achieved.

Numbers from this project are below:

In the 2010 growing season, Kentucky had seven producers participate in the Audit program.

In the 2011 growing season, Kentucky had eight producers participate in the Audit program

Another outcome achieved from this grant process is the educational component of what actually takes place in a Third Party Audit. As mentioned before, a lot of Kentucky producers were and still are somewhat hesitant to allow "government" or someone on their property to assess their operations. Once a couple of individuals had gone through one of these audits, word spread quickly in the specialty crop community that this was just good management and operations and there was nothing to be concerned over. The education Adam Watson received has been extremely beneficial as he is utilized by several producers and buyer groups to education them on audit and food safety issues. He is now the main point of contact for these issues in the entire state of Kentucky.

As 2011/2012 was the final year of the project, outreach efforts were largely in the form of one on one consultation by Adam Watson with growers specifically seeking third party GAP audits. The direct consultation included desk reviews of farm food safety plans and manuals, and in person mock audits or review of farms and facilities.

However, broad educational outreach was not neglected during 2011/2012. A specific GAP update tract for producers and wholesalers was offered University of Kentucky Fruit and Vegetable Conference with. Additionally, two meeting were conducted at produce auctions and a track was included in University of Kentucky's Master Grower meeting for commercial horticulture producers.

A survey was conducted of GAP cost share participants. The gross receipts represented by the audited acreage represented a range of 20-100% of the farms income with an average of 64.6%. On an acreage basis the range was from 10 to 45

acres, with an average of 22.4 acres audited. Of the four farms, who participated in both years 2010 and 2011, three increased the acreage audited in 2011 from the prior year and the fourth remained steady.

All participants responded that completion of the GAP audit made access to markets possible. Specifically, without the audit they would have had fewer and less effective markets available to them to market their fruits and vegetables.

4. Beneficiaries

Obviously, the fifteen specialty crop producers that took place in the program were direct beneficiaries of this program, as they received funds to have a third party audited conducted at their business.

The entire specialty crop industry of Kentucky, it can be said, has benefited from this grant program as the state now has a point of contact and what many consider an expert in the area of audits and food safety in Adam Watson. Kentucky has never had this type of expertise before. Watson has spoken at the state Fruit and Vegetable conference each year regarding audits and food safety to the tune of approximately 1,000 producers reached. He has also spoken to many extension office meetings, buyer meetings, individual meetings at co-ops, produce auctions, etc. The estimated reach of these sessions is at least another 1,000 specialty crop producers, on the conservative side.

5. Lessons Learned

KDA has learned that their needs to be continuing education to the producers regarding Third Party Audits and any type of audits, guidelines or new restrictions or mandates that are asked of specialty crop producers from either the government or from their buyers. As mentioned, Kentucky specialty crop growers are still learning their business and in this economy, the outlay of cash for an audit or to take a step toward another market by an audit is scary and sometimes seen as economically unfeasible.

As this project has been winding down, KDA has been approaching various specialty crop groups in the state to discuss how we can implement or offer audit education and cost share opportunities through their organizations to producers. We all recognize that with consumer demand for traceability and good agricultural practices, the need for these Third Party Audits will continue to grow.

6. Project Contact Information

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